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USDOC FOR 532/OEA/MCANNER/MHAMES  
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO  
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A  
TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)  
SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION:  
ADDCOM SOLUTIONS LIMITED

REF: A) BIS EUC request e-mail dated May 15, 2009; B) HK 01982  
(2007) Concord Carnival/Addcom; C) HK 00966 Free Components(2008)  
D)HK 02289 (2007) Hope Sea

¶1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment-verification (PSV) Addcom Solution Ltd., Unit B7, 7/F, Shatin Industrial Building, 22-28 Wo Shui Street, Fo Tan, Hong Kong (Addcom). The PSV concerned twelve exports to Addcom from U.S. exporter Austin Semiconductor of Austin, Texas as well as two proposed exports that are the subject of pending BIS license applications. The items in question include multiple shipments of integrated microcircuits and other electronic components. On the applicable order documentation, most of the items are classified under export control classification number (ECCN) 3A001 and, if properly classified, would be controlled for national security (NS) reasons. Based on documentation provided by the exporters, in some instances, it appears that the applicable items are of the class that may be exported license free to Hong Kong, but would require a license for export or reexport to mainland China because of their ability to function at extreme temperatures (ECCN 3A001a2c). Since all of the items in the various shipments were resold to different buyers, those buyers (and related consignees) are described below.

¶3. Addcom was the proposed intermediate consignee in a previous unfavorable pre license check (PLC) of Hong Kong buyer Concord Carnival. That PLC is described in reftel B.

¶4. BACKGROUND OF ADDCOM: Addcom is a Singapore based electronics distributor with offices in Singapore, Hong Kong, Shenzhen, Malaysia, Thailand, and the Philippines. The company does not appear to have a web site. According to the Hong Kong Companies Registry, Addcom was registered in Hong Kong in 2004. It has the Hong Kong equivalent of USD 6500 in share capital. Its directors are Singapore nationals Tan, Lee Kim Alison (S6811627I) and Tan, Yew Mui Calvin (S1619129I). The company's facility in Hong Kong is comprised of a one room office located in a converted warehouse building. ECO met with Addcom representatives Ailey So, and Anthony Chan, Account Manager, on two occasions (May 29, 2009 and June 8, 2009). Ms. So provided documentation about the particular orders while Mr. Chan provided greater background detail on the buyers and his interaction with them. It is worth noting that for all transactions involving items subject to Hong Kong strategic commodities licensing requirements, Ms. So obtained and provided to ECO Hong Kong licenses for the import into Hong Kong of those items. In addition, Ms. So provided declarations from the Hong Kong buyers in which they state that they will not reexport the items from Hong Kong. Mr. Chan is the account manager for all of the transactions described below.

15. FREE COMPONENTS: Some of the shipments in question were destined for Free Components in Hong Kong. Free Components and a series of related companies including Xing Hang Yuan, Surlink, CTC International, Hongtu Hangyuan and others are of particular diversion concern as more fully detailed in reftel C.

16. FREE COMPONENTS TRANSACTIONS: Three transactions are at issue here and are grouped under Addcom purchase order numbers: ADS312131, ADS316690, and ADS317158. According to documentation made available to ECO by Addcom, ADS316690 was delivered to Free Components at its 1702 Grand City Plaza address. The order documentation lists Hazel Liu as the contact person at contact numbers 86 755 882 65085 and 8675588265080 and email address hazel@xhy-ic.com (www.xhy-ic.com is the web domain of Xing Hang Yuan, a company of diversion concern referenced above). Order ADS317158 was likewise delivered to the Grand City Plaza address but contact numbers are now listed as 852 3426 2188 and 852 3426 4778. According to the Free Components purchase order for this transaction, the confirmation fax number is listed as mainland number 86 755 882 65080. Order ADS 312131 lists a ship-to address as the Grand City Plaza address noted above. The contact person is listed as Hazel and the e-mail address for Hazel is listed as Hazel@xhy-ic.com.

17. FREE COMPONENTS CONCLUSIONS: Despite repeated attempts, Commercial Assistant Carrie Chan was unable to arrange a meeting with Free Components. When asked, Addcom's Anthony Chan stated that he was aware that Xing Hang Yuan (XHY) is related to Free Components (as indicated by Hazel's e-mail address). Chan also stressed that his orders from Free Components were always received from the Hong Kong company although he conceded that he had never visited the Hong Kong address. Ms. So stated that at the time of an order, if the purchaser states that the item is for Hong Kong use, then she is

prepared to accept that assertion. If the buyer (subsequently) intends to reexport the items, Ms. So asserted that she informs those buyers that they must obtain a Hong Kong export license. It is clear to ECO that Addcom is aware that its customers are not using products they purchase from Addcom in Hong Kong. However, Addcom is prepared to fulfill orders on the buyer's mere assertion that they are for use in Hong Kong. Mr. Chan stated that he does not inform the exporter (Austin Semiconductor) that the items will almost certainly be reexported to mainland China. One of these shipments destined for Free Components appears to include items that may be shipped BIS license free to Hong Kong but would, in almost all circumstances, require a license for export/reexport to mainland China.

18. PROGRESS STEP INTERNATIONAL: As detailed below, Progress Step appears to be the latest iteration of the Xing Hang Yuan and Free Components group of companies in Hong Kong. According to the Hong Kong Companies Registry, Progress Step International was registered in November 2006 and has the Hong Kong equivalent of USD 1300 in paid up share capital. Its sole director (appointed in September 2008) is mainland Chinese national Zhang Haiyun (with mainland ID number 412823196208057270 suggesting a birth date of August 5, 1962). The company is located at the offices of SBC International, a company secretarial service that has been used by a range of companies that have been the subject of unfavorable end use checks. The SBC address in this case is 21/F, New World Tower 1, 18 Queens Road Central, Hong Kong.

19. PROGRESS STEP TRANSACTIONS: Three shipments to Addcom were destined for Progress Step International (Addcom purchase orders ADS318582, ADS319195 and ADS321379). At least two of these shipments appear to include items that may be shipped BIS license free to Hong Kong but would, in almost all circumstances, require a license for export/reexport to mainland China. As to ADS319195 and ADS318582, order documentation shows Hazel Liu as a contact person (vice Hazel Lau on the end user statement provided to Austin). In these cases, Hazel's e-mail address is listed as Buyer1@ctc-ic.com (www.ctc-ic.com is the web domain of mainland company of diversion concern CTC International which is referenced above). As to order ADS321379, Hazel is again listed as the contact person. According to Addcom's Anthony Chan and Austin Semiconductor, this order is now the subject of an Austin export license pending before BIS.

110. PROGRESS STEP CONCLUSIONS: Repeated attempts to set up an

appointment with Progress Step in Hong Kong were unsuccessful. It is apparent that Progress Step is simply another iteration of Free Components. ECO surmised that Hazel Liu (apparently her real name) signed Progress Step end user statements as Hazel Lau to give the appearance (to Austin Semiconductor) that Free Components and Progress Step are distinct. Mr. Chan stated that he simply knows this individual as Hazel and he did not focus on the signatures on the forms. When asked by ECO whether he had visited Progress Step,

Mr. Chan replied that he had visited Progress Step's offices in Shenzhen (but not Hong Kong). He stated that those offices were quite large. When asked whether payment for these orders was made from mainland China, Mr. Chan insisted that payment had been made from Hong Kong, consistent with the fact that this was a Hong Kong sale. ECO did not find Mr. Chan and Ms. So's answers to questions regarding these transactions to be credible, in particular, statements about whether they were aware that the items were destined for mainland China. It is clear to ECO that the transactions described in this cable are structured in attempt to allow Addcom to plausibly assert that it is only selling to Hong Kong customers.

¶11. BRILLIANCE TECHNOLOGY LIMITED: According to the Hong Kong Companies Registry, Brilliance was registered in 2006 and has the Hong Kong equivalent of USD 12 in share capital. Its sole director is Chinese mainland national Wang, Xuanhui (with mainland ID number 513031197502236072 suggesting a birth date of February 23, 1975). Two addresses are available for this company, namely Rm 110A, 6/F, Grosvenor Mansion, 110 Austin Rd, Hong Kong (the registered address) and Flat A, 8/F, Adolfo Mansion, 114-116 Austin Road, Hong Kong (the address listed on the applicable end user statements provided by Addcom).

¶12. BRILLIANCE TRANSACTIONS: Five Addcom orders involved Brilliance, namely ADS318360, ADS321559, ADS320784, ADS320108 and ADS318856. In all cases, Brilliance contact persons were listed as Derek Chiu and Mr. Wang (with various phone and fax contact numbers such as 852 6876 5919, 852 3020 6598, 852 9012 4193 and 852 2155 0335). Mr. Wang's contact e-mail is listed as jasonw@brilliance.net.cn. In each case, Addcom's Ailey So provided Brilliance declarations that it would not reexport the items from Hong Kong. Except for ADS318360/ADS318856 (which are mirror transactions involving a returned shipment to the U.S., and ADS321559 (which is the subject of a pending license applications)

all of the items were shipped to Brilliance in Hong Kong. Items actually shipped to Brilliance are of the category of items that may be shipped BIS license free to Hong Kong but would, in virtually all circumstances, require a BIS license for shipment to mainland China. According to Ms. So, Brilliance is not related to Free Components/Progress Step.

¶13. BRILLIANCE CONCLUSIONS: When Commercial Assistant Carrie Chan attempted to call Brilliance to set up a meeting, the phone number (6876 5919) appeared to roll to a mainland phone. The person who answered the phone stated that the phone number was the Brilliance phone number (although he would not identify himself as a Brilliance representative). This individual stated that all relevant information is located in Hong Kong and asked Ms. Chan to call Derek Chiu (9012 4193) in Hong Kong (referenced above). Mr. Chiu stated that Brilliance does not have an office in Hong Kong but only a warehouse. He further stated that the items had been reexported to mainland China. When Ms. Chan asked for a meeting, Mr. Chiu stated that the documents were not available for review in Hong Kong and that he would check with the Brilliance office in China. When subsequently asked again for a meeting, Mr. Chiu requested additional time. ECO does not expect that Mr. Chiu will be available to meet in the foreseeable future. ECO surmises that the items shipped to Brilliance in Hong Kong have been reexported to mainland China.

¶14. MAXDRAGON (HONG KONG) LIMITED: According to the Hong Kong Companies Registry, Maxdragon was registered in 2006. Hong Kong Resident Hong, Nga Song (HKID H449217(1)) is listed as director. The company's registered (and operating) address is Flat A, 13/F, Excellente Commercial Building, 456-458 Jaffe Road, Hong Kong. As noted below, an additional company associated with this order, namely Citic Technology Company, is located at Rm D, 3/F, Thomson

Commercial Building, 8 Thomson Road, Hong Kong. Ms. Hong, Nga Song also owns this company (a sole proprietorship).

¶15. MAXDRAGON TRANSACTION: Addcom order ADS318712 was destined for Maxdragon. The items in question may be shipped BIS license free to Hong Kong but would, in virtually all circumstances, require a license to mainland China. Maxdragon representative Candy Hong signed a declaration (provided to ECO by Addcom) stating that Maxdragon would not reexport the items.

¶16. MAXDRAGON CONCLUSIONS: ECO was eventually able to meet Ms. Candy Hong of Maxdragon at the company's Excellente Commercial Building address on June 2, 2009. The offices are no more than 300 square feet in size and are located in a small older office building. Ms. Hong stated that she had acquired the items and then had reexported them to mainland China using another company she owns, namely Citic Technology (referenced above). When asked whether she had applied for a Hong Kong export license, Ms. Hong stated that she could not recall (ECO expects that she did not). Ms. Hong stated that she had shipped the items to her affiliate in Guangzhou, namely Maxdragon (S.Z.) Biochem Ltd., Rm. 30513 Guangxinguan Bldg, number 18, 20th st. South Siyou, Yozxiuzongz, Guangzhou (telephone number 20-87383772). Ms. Hong stated that the items would be used as part of a new venture to manufacture cameras for cars. When asked why such a project would require high temperature range electronic components, Ms. Hong stated that it is quite cold in the north of China in the winter so high temperature range products are required. Web research reveals that the purported partner for Maxdragon is Lantuo Electronics Co, Ltd. which bills itself on its web site as a distributor of electronic components (more information at [www.szlantuo.com](http://www.szlantuo.com)).

¶17. CHITRON ELECTRONICS COMPANY LIMITED: According to the Hong Kong Companies Registry, Chitron was registered in 2005 and has the Hong Kong equivalent of USD 6.5 million in share capital. Directors include mainland Chinese nationals, Ni, Hai Nan (passport number 610125680301121), Wu, Zhen Zhou (ID 110104196403173111 with corresponding birth date of March 17, 1964), Zha, Jun (ID 352102197803240019 with corresponding birth date of March 24, 1978) and Hong Kong resident Zhang, Zing (wit HKID R249769). Wu, Zhen Zhou was arrested in the United States in December 2008 for export control violations related to the activities of a Chitron affiliate (Chitron-U.S.).

¶18. CHITRON TRANSACTION: Addcom order ADS318213 was destined for Chitron and subsequently for Hengsai Electronics Ltd. in Hefei city, Anhui Province. These items appear to be classified as EAR99, meaning that they may be shipped to virtually all destinations, end users/uses worldwide. The Chitron purchase order lists the bill to address as Room 06, 26/F, Modern Warehouse, No 6 Shing Yip Street and the contact person as Ms. Linda Liu (86 755 82116111 and 86 755 8211 6462) with e-mail address [linda@chitron.com](mailto:linda@chitron.com). The shipping address is the same but the contact person is listed as Roc Jiang (852 31060791 and 852 31060792) with e-mail address

[jiangpeng@chitron.com](mailto:jiangpeng@chitron.com). The purchase order header address is listed as 2127 Sungang East Road, Suite 1916, Shenzhen 518001 (86 755 8211 6111 and 86 755 8211 5452).

¶19. CHITRON CONCLUSIONS: As these items are EAR99, no apparent export control violation has occurred in respect of this shipment.

¶20. XIAN RIRONIC/HOPE SEA IMPORT AND EXPORT: Xian Rironic is a mainland company that was the intermediate consignee listed in BIS export license D408497. Delivery in this transaction was made to Hope Sea Import and Export in Hong Kong. Hope Sea was the subject of an unfavorable end use check detailed in ref tel D.

¶21. XIAN RIRONIC/HOPE SEA IMPORT AND EXPORT TRANSACTIONS: Addcom order ADS 319752 was destined for Xian Rironic. ECO reviewed the underlying Xian Rironic purchase order for this transaction. It is not on letterhead and includes only the name "Ferry" as the contact person. Separate documentation provided by Addcom shows that Xian Rironic certified that it would not reexport the items from Hong Kong. Addcom obtained a Hong Kong export license listing as end user, China Petroleum Logging Company Ltd. Delivery was made to Hope Sea Import & Export, Unit 12-16, 20F, No 1 Hung To Rd (attn.

Ms. Yeung).

¶22. XIAN RIRONIC/HOPE SEA IMPORT AND EXPORT CONCLUSIONS: As noted earlier, Hope Sea was the subject of a prior unfavorable PSV in ¶2007. ECO assumes that all of this information as available to BIS licensing officers as well as additional information Addcom's Anthony Chan claimed to have presented to Austin Semiconductor during the BIS licensing process. Nonetheless, the Purchase Order's style and the involvement of Hope Sea is of concern to ECO.

¶23. A range of consignees listed herein (including Addcom, Maxdragon, Progress Step, Brilliance, Chitron and Hopesea) are unsuitable recipients of U.S. origin controlled technology. ECO recommends that BIS conduct a thorough review of all shipments listing any of these consignees. ECO also recommends that BIS have further discussions with the exporter, Austin Semiconductor, to better understand whether it knew about the true final destination of these shipments.